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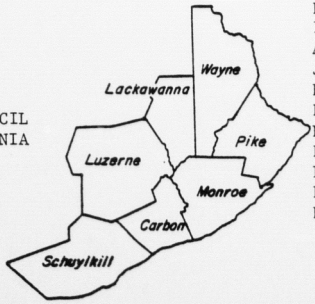

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NEW TAX INCENTIVES FOR REHABILITATING OLDER BUILDINGS AND REVITALIZATION THROUGH PRIVATE INVESTMENT

The stimulation needed for the revitalization of downtown business districts and neighborhoods could be spurred by the tax incentives provided for in the Economic Recovery Act of 1981. The Act, signed into law on August 13, 1981, makes dramatic and sweeping changes that directly benefit investment in the rehabilitation of older buildings. The incentives in the new law make property rehabilitation a much more attractive investment than was previously possible and could prove to be the catalyst for capital investment in declining business areas and neighborhoods. Congress first provided tax incentives in the Tax Reform Act of 1976, however, the Economic Recovery Act of 1981 provides greater tax savings to owners, investors, and building users who undertake rehabilitation projects. Listed below are some key points of the Act:

. Tax credits are based on the structure's age:

15%	20%	25%
30 years	40 years	Certified Historic

. Straight line depreciation may be taken on an audit proof 15-year useful life or accelerated depreciation may be taken using the 175% declining balance method.

. Charitable donations of conservation easements preserving historic attributes provide substantial tax savings.

. Tenants using older buildings under leases extending 15 years beyond the completion of rehabilitation work also qualify for tax credits.

. Credits may be "carried back" three years and forward 15 years to obtain funds or to reduce future federal tax liabilities.

. Phased 60-month rehabilitation projects qualify for the tax credits.

. There is no recapture of the credit of depreciation at ordinary income tax rates if the completed project is held for five years.

. Rehabilitation costs must exceed $5,000 or the adjusted basis of the building.

. Permits rehabilitated buildings leased to tax-exempt organizations and governmental units to qualify for the investment tax credit.